HOUSE OF COMMONS

Business, Energy and Industrial Strategy Committee

Oral evidence: Work of the Department 06 02 19, HC 604

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Watch the meeting

Members present: Rachel Reeves (Chair); Vernon Coaker; Stephen Kerr; Peter Kyle; Mr Ian Liddell-Grainger; Sir Patrick McLoughlin; Albert Owen; Mark Pawsey; Antoinette Sandbach; Anna Turley.

Questions 246-415

Witnesses

I: Rt hon. Greg Clark MP, Secretary of State for Business, Energy and Industrial Strategy, and Alex Chisholm, Permanent Secretary, Department for Business, Energy and Industrial Strategy.

Examination of Witnesses

Witnesses: Rt Hon. Greg Clark MP and Alex Chisholm.

Chair: Thank you very much, Secretary of State and Alex Chisholm, for coming in to give evidence today on the work of the Secretary of State. As you know, we are going to be focusing today on the issues of Brexit and nuclear policy, and there might be a few extra bits and pieces at the end if we have time—so you can decide how quickly you want to go through it and whether you want to get to those extra bits and pieces.

Q246 **Mark Pawsey:** Good morning, Secretary of State. Thank you for coming in today. I want to start off by asking you about how prepared businesses are for leaving the EU. I will tell you about an email that I received just before the Christmas break, which read as follows: "We have a small engineering company. Our biggest customers are in Europe. Can you tell me what contingency plans I can make when we have no idea of the outcome? How can I reassure my staff that their jobs are safe? What can I tell them as we finish for Christmas? They have children, mortgages and other responsibilities."

Immediately after Christmas, I went to visit LG Farmer Engineering, who employ six to eight people. They are specialists in electroplating, involved in sticking diamond on to metals, but significantly, 25% of their turnover is with customers in Ireland and Italy. They were bothered about having to get involved in customs regimes, and they said they'd been on to the BEIS website and printed off reams and reams of technical notices and advice, but they did not believe there was anybody really telling them how they should go ahead. We are now only 51 days away from leaving the EU, so how can we reassure businesses such as LG Farmer Engineering?

Greg Clark: Obviously, the Permanent Secretary, our colleagues and I meet with businesses up and down the country all the time. We meet with representative organisations, and throughout the last two and a half years, a huge amount of time has been spent with businesses and their organisations, helping them prepare as far as is possible for our relationship with the European Union after Brexit. The best source of advice—the best way for businesses to consider what they need—is to go to the gov.uk website, where there is a very useful guide. It asks certain questions that will then tailor the advice to the particular sector and particular type of business. That is the best way to not have to download all of the documents, but to select the ones that are suitable for the particular business.

Q247 **Mark Pawsey:** But isn't the biggest problem that we are no further forward? We still do not know the terms on which we are going to be leaving on 31 March, and businesses need some certainty and need to know how to plan. Isn't time getting rather tight now, Secretary of State?

Greg Clark: It is getting tight. I agree with you, Mr Pawsey: it is a fact that we do not know the terms of our future trading relationship with the rest of the European Union. If we agree the withdrawal agreement that has been negotiated, one of the advantages of that—as the Committee will know—is that it provides what most businesses that have expressed an opinion want to see, which is a transition period of nearly two years in which there will not be any sudden change on 29 March.

The reason why that was such a prominent feature of the requirements of business is, precisely as you say, if there is to be a different kind of trading relationship, the more time you have to prepare for that the better. But it is a fact that we do not know for sure that we are going to have that transition period, so the advice on the website provides guidance as to what traders with the European Union should do to prepare for the contingency of no deal. That is obviously a sensible step.

Q248 **Mark Pawsey:** The concerns of LG Farmer Engineering are those of small businesses, but a couple of evenings ago, some of us met with the Society of Motor Manufacturers and Traders, who pointed out that it takes six weeks for a vehicle to come from Japan to the UK—that is, 42 days. We have 51 days before we leave, so cars that are going to be sold in the UK market are on the dockside, ready to be loaded on to ships now. Isn't it an extraordinary state of affairs that manufacturers in overseas countries will not know what the regime for the sale of those products will be when they get here?

Greg Clark: More particularly on that, it is the other way around as well. Actually, for the regime we have here, we can unilaterally continue the approvals and the regulatory standards that we have applied; there is no reason why we should change them overnight, and in the event of no deal, we would not. We would have continuity there.

However, I do not want to detract from the point that you make, because if you take it the other way around, we are an important exporter to the far east, and if it takes six weeks for a product to arrive—if it is shipped, literally, on the seas—then it needs to set off within the next few weeks. Perfectly reasonably, if they are going to Japan or Korea for example, exporters need to know—or at least it is important that they should know—the terms on which they should be admitted. Will they have to pay tariffs? Will they be subject to rules of origin checks that will no longer be met?

That is one of the reasons why I have been very outspoken in saying that we should not regard the time until 29 March, or 28 March, as the time that we should be prepared to take to conclude a deal. People often say that these things are done at the last minute. The last minute for important exporters is fast approaching over the next few days and weeks.

Q249 **Chair:** You say the next few days or weeks, but when is the deadline?

Greg Clark: I will give you an example. The furthest sea journey is from here to Japan. I am told that that takes about six weeks, so it is six weeks back from that.

Q250 **Chair:** So you are saying in nine days' time.

Greg Clark: Mid-February.

Q251 **Chair:** Nine days' time will be 42 days to go. That will be next Friday—the 15th.

Greg Clark: In that instance. This is something to which my attention was drawn by engineering employers, who share the concern that Mr Pawsey expressed. They shared it in order to make us all in the House of Commons aware of these deadlines.

Q252 **Chair:** Just to be clear, Secretary of State, you are saying that the deadline for getting a deal is not the 28th. To give businesses that are exporting certainty, they need 42 days' notice. That's next Friday, isn't it, Secretary of State?

Greg Clark: Those that are exporting to Japan by sea will need to make decisions about whether they send consignments over the next couple of weeks.

Q253 **Mark Pawsey:** Are the messages you are getting from your work with business getting stronger? Is the anxiety level and the concern that business has about the possibility of leaving with no deal getting greater?

Greg Clark: Yes, it is very evident that it has. This Committee over the last two years has taken evidence in public about that, and I am sure the concerns that you detected have increased. That is obviously the case. How could it be anything other than the case when it is now a matter of weeks to go before we leave the European Union, and it is not clear what our future trading relationship will be? It is not just about the European Union. I mentioned Japan and Korea because the trade agreements that we have that come via the European Union would fall if we don't have an agreement.

Q254 **Mark Pawsey:** Apart from Dyson, JCB and Wetherspoons, are there any businesses telling you that there are great big opportunities and advantages to our leaving the EU with no deal?

Greg Clark: I think it would be wrong to characterise the opinion of a business as completely uniform. There clearly are businesses—you have mentioned some—that don't share the concerns of others, to the same extent. What I would say—the Committee meets many businesses—is that I think it is an accurate reflection to say that most businesses that are in the business either of exporting, or that rely on supply chains that are international, want to see this uncertainty ended and want to see a resolution through a deal.

Q255 **Mark Pawsey:** Secretary of State, you have been a strong advocate of the Prime Minister's deal. There are those who are opposed to it on the one side who say that it isn't leaving because it restricts our ability to do future trade deals, and there are others on the other side who say that the deal isn't as good as the one we have already got. Do you think those groups of people recognise the great damage that is being done to British industry, manufacturing and jobs by our failure to get together around a deal?

Greg Clark: I think it is important that everyone understands that. It is right to listen to and respect the evidence from the companies and businesses that employ our constituents up and down the country. That should be looked at, considered and, in my view, acted upon. It is fair to say that, in this respect, some businesses campaigned during the referendum campaign and advised against the population voting to leave the European Union. It is notable that the majority of businesses—small businesses that are engaged in international trade, as well as large businesses—say that the deal that has been negotiated should be approved. It meets their needs. It is obviously not the same trading relationship that we have at the moment, so there is some change and compromise there. It is notable that they recognise it.

I am just looking at some of the companies that have made recommendations on that. In the car industry, Ford, Aston Martin, Maclaren, Toyota and the Japan Automobile Manufacturers Association have all said that the deal is something that would actually ease the concerns they have.

Q256 **Anna Turley:** Hello, Secretary of State, and thank you for joining us. You know the importance of Nissan to the north-east and to Britain—7,000 direct employees and 35,000 in the supply chain. In your letter to them in October 2016, you promised to ensure that their ability to export to and from the EU is not adversely affected by the UK's future relationship with the EU, and that you would vigorously pursue continued access to the European market. In the evidence that you gave to this Committee on 16 December, you said, "What I said to Nissan and would say to any company is that I understand and we understand the importance, as part of our negotiation, to look to secure the continued access, tariff-free, to the single market and to avoid the kind of bureaucratic impediments that will disrupt trade". Can you still make that promise, and how do you think Nissan will judge the last two years on those pledges?

Greg Clark: Yes, that is still Government policy. You quoted what I said accurately, but partially. I have said in public and in writing that it would be a critical priority of our negotiation to ensure their ability to export. That is the case. It is not possible for me to say that this will definitely be the outcome—I wish it were. It would be much more reassuring to them if it were, but I have always had to be clear that it depends on an agreement being conducted. It is, and has been, very important that over the last two and a half years I have spent a lot of time in boardrooms around the world, who have been looking with anxiety at our future prospects. I have been able to say with confidence that the policy of the Government—the priority in the negotiations—has been to secure an ability to continue to trade closely without tariffs and without introducing new, unnecessary impediments. That has been, and is, our policy. While it does not provide the certainty that businesses would prefer to have, at least they know that that is what we want, and that we recognise that we are not indifferent to their needs and concerns—far from it. They know that we listen and act on the evidence, and that our interest is in securing a deal of that type.

Q257 **Anna Turley:** Thank you. Going back to the pledges and the commitments that you made to Nissan back in 2016, you said before this Committee that the assurances you gave them were on business support, place, battery storage, electric vehicles, and the importance of trade. On "Question Time" you said, "There's no chequebook. I don't have a chequebook." Why didn't you inform the Committee or Parliament that there was £60 million of state aid registered with the European Commission and published on their register?

Greg Clark: It is very evident that I do not have the ability to write a cheque. What I said right at the start in my statement—

Q258 **Anna Turley:** I am sorry, Secretary of State, but you did write a cheque. You pledged to them £60 million of state aid. We have also seen that you pledged to Toyota £21.1 million, Ford £14.6 million, BMW £6.3 million, Jaguar Land Rover £6 million, Maclaren £9 million and Aston Martin £7 million. Is this the tip of the iceberg? Is this a Brexit bill that we have not been discussing publicly because it has just been published on a European Commission website, so it has not been actively discussed as vital support to an industry that otherwise is looking at fleeing the country?

Greg Clark: It is exactly what I said in my statement to the House at the time. You have just illustrated that I talked about our successful and long-standing programme of support for the competitiveness of the automotive sector, including Nissan. The support is available to firms for skills and training the local workforce, R&D and innovation in line with EU and UK rules. I said that since 2010 the Government have invested £400 million in the automotive sector, but the decision in each case is not mine. It needs to be applied for, and it needs to be scrutinised independently and passed by a body that was set up by Parliament called the Industrial Development Advisory Board, which is completely independent. An illustration of that was that they were initially applying for about £80 million of support from these funds for training, development and the rest of it. What was approved by the authorities was £61 million. I have no ability to provide any funds myself. What I pointed out in my letter and what I pointed out to the House—I am very proud of the programme we have, which has been very successful in this sector and in other sectors—is that we need to ensure that we can support investment. If you are making a new investment that requires new employees and they need to be of a certain level of skills and they are not available in the local population, then of course you partner with the industry to provide those skills. We have always done that, and I hope we always will.

Q259 **Anna Turley:** Is this not an acknowledgment that you are desperately having to throw money at these companies to stay in the UK because Brexit is threatening their long-term stability here?

Greg Clark: No. The success—we have talked about our industrial strategy, which builds on some strong foundations. If I think of the automotive sector, the Advanced Propulsion Centre is a joint Government and industry-supported institution. From memory, I think it has put £1 billion into research and development for the powertrains for the next generation of vehicles. It is essential that we do that. We have a motor industry in this country that every member of the Committee knows is completely transformed compared with where it was in the 1970s and early 1980s. One of the foundations of that was making it much more sophisticated in technology and being at the cutting edge of technology. That is reflected in a strong partnership in R&D and in training the workforce. It is very important that we send the message—you have helpfully listed a number of other businesses with whom we have worked. It is fair to say that is small businesses as well. If the Committee cares to visit the campus of Warwick University, you will see one of the most magnificent new institutions anywhere in Europe, which is the National Automotive Innovation Centre. It is about to be opened. It is a centre that brings small businesses and large businesses together for innovation. It has a particular wing for start-ups and scale-ups. It is the biggest automotive research centre in Europe, and we are very proud of it.

Q260 **Anna Turley:** So aside from automotive, what other sectors and businesses have you given assurances and pledges of money to? Are there any more state aid commitments that we should be trawling the European Commission website for, to see what support we have given for people to stay in this country?

Greg Clark: You can see in the industrial strategy across all the areas—take the Faraday grand challenge that we have for investment in the next generation of battery technology. That has brought together the automotive sector and the energy sector, which we are going on to talk about, to ensure that—

Chair: Anna is specifically asking what things you have had to register with the EU as state aid, Secretary of State.

Greg Clark: I do not know whether the Permanent Secretary has—

Alex Chisholm: The regional growth fund is the main mechanism used for these types of grants. The other sector that is very much affected—you talked about the auto ones—is aerospace. The aerospace growth partnership is another 10-year scheme run jointly with industry for support in that area.

Q261 **Chair:** In the letter that the Secretary of State wrote to me on 4 February, he said: "Indeed, these amounts have already been published on the European Commission's database"—the £61 million for Nissan—"and for reference the grant amounts are visible at the link here…For ease, the details are visible by entering 'Nissan' as the name of the beneficiary" and then the date. What other companies would I be able to enter into that database, apart from the other car manufacturers that Anna Turley has already mentioned, to find out which have had state aid? Or are there no others?

Alex Chisholm: It seemed like a comprehensive list just from listening to it. I did not write down all the names.

Q262 **Chair:** So it is only the automotive sector.

Alex Chisholm: You would have the same in aerospace if you looked at that.

Q263 **Chair:** That is what I am asking, Secretary of State. What are the other companies? Because you had not previously published the information to Parliament—the £61 million to Nissan—you have written to me now to tell me that if I had gone to this website that I was not previously aware of and entered "Nissan" and "21/06/2018", I would have been able to find that £61 million. What other British companies do I need to go on that website and search for to find out, or could you just tell us today?

Greg Clark: I can't tell you today but I can write with a full list. All state aid has to be disclosed; it is all in the public domain and they are all on that website.

Q264 **Chair:** It is if you know where to look for it, Secretary of State, but we asked you previously to disclose the amount of money that was being made available to Nissan and you didn't make that available to this Committee. You made it available on 4 February, this week. It was registered on this European Union website on 21 June 2018. I am asking today if, in future, all state aid to British businesses registered on that website will be made available to this Committee. Anything made since the referendum in June 2016, I would like in writing to the Committee, the date and amount.

Greg Clark: Of course.

Q265 **Chair:** I would have liked that information available today. Yesterday there was an article in a newspaper that had obviously trawled through the database and found the amounts of money that Anna Turley referred to. Secretary of State, with respect, that is not how this Committee should find out how the Government make decisions about state aid to British businesses. Do you understand that view of the Committee?

Greg Clark: All state aid that is paid and approved is in the public domain. I am happy, as a matter of course, when information is uploaded, as it is required to be, on public websites to ensure that the Committee is informed, and to do that retrospectively as well.

Q266 **Chair:** Can I ask a couple more questions on the Nissan decision? Can you explain exactly why Nissan are not building the X-Trail here, despite having previously said that they would?

Greg Clark: The reasons that they have given for that are that they are putting more investment in newer technology—electric and hybrid powertrains—for the existing vehicles. So they are putting more capital investment into the Sunderland plant and others. To save capital investment in order to do that they have decided not to expand the production facilities for the X-Trail outside of Japan.

Q267 **Chair:** But I asked why they have made that decision when previously they were going to make the X-Trail here. What reasons did they give you?

Greg Clark: The reason that I have just given. They have decided they have capital to allocate; they have made a decision to put more capital into the production facilities for electric vehicles and hybrid vehicles and so are spending more on that. As it happens, in Sunderland they have said they are investing more than they expected to in 2016. They are cutting back on the investment in what is an existing model—the X-Trail—which is exclusively produced in Japan.

Q268 **Chair:** You make this sound as though it is good news for Britain.

Greg Clark: No, it's not.

Q269 **Chair:** You didn't mention Brexit in your answer then. Is Brexit a reason for them not building the X-Trail in this country?

Greg Clark: All I can do is reflect what the company have said. I am not the decision maker when it comes to their investments.

Q270 **Chair:** I would have thought that as Secretary of State you might want to explore some of these issues, because they might have implications for other investment in this country.

Greg Clark: They said that they had decided to put more money into the newer technologies and to consolidate, or retain in Japan the single production line for the X-Trail. That is what they have said. You asked whether that was good news. Obviously, I'm disappointed that what would have been 740 extra jobs that would have been created in Sunderland will now no longer take place. That will no longer happen. That is, of course, a source of disappointment but it is their decision to do that.

It is worth acknowledging that their commitment to the models that are there was also announced. That is extremely important for Sunderland. They did mention the uncertainty and that is in line with the discussion that we have had already about the European Union.

In discussions around this announcement, they said to me that political uncertainty over a no-deal Brexit cast a shadow over our future. That is something that everyone needs to reflect on, in just the way we are talking about. Manufacturers who create and maintain very good jobs in this country are concerned that we should resolve our future trading relationship.

Q271 **Chair:** Thank you, Secretary of State. You said to Nissan in 2016 that they would not be adversely affected after the UK left the EU. Is that an assurance that you would be able to give to Nissan, or indeed any other British manufacturing, today?

Greg Clark: What I said was—as I said to Anna Turley—that our objective in the negotiations was to maintain our ability to trade without introducing unnecessary frictions and without tariffs, precisely through the ways we have talked about. In our industrial strategy, we make a very prominent commitment to ensure that the strengths we have in the automotive sector are built on. Our programmes in the industrial strategy of investment, whether in battery storage and new battery technology or in connected and autonomous vehicles, now have international recognition, which serves us well. At a time when Brexit uncertainty has provided a reason for people to be concerned about investment in Britain, it shows all the more the importance of emphasising the fundamentals of the British economy and what we are doing to strengthen them through the industrial strategy.

Q272 **Chair:** The problem is, Secretary of State, that you cannot give those assurances today. Although you support the Prime Minister's deal, it was rejected by 230 votes in Parliament, and we still do not have a date for it to come back to Parliament to be voted on again in whatever form that might take in the future. If there is not an agreed deal, what do you say to businesses will happen on 29 March?

Greg Clark: We have had some discussion around that. There are certain things that we can do in this country unilaterally, including making sure that the product standards we have recognised through being a member of the European Union will be able to continue. But there are certain aspects that we won't know, such as—to take a case in point made in this country—whether there are tariffs on the export of cars. That is one of the reasons why I am very concerned that we should resolve this question of the uncertainty. The motor industry is a good example of this, because it is very successful. It is an area in which we are acknowledged as being successful—we are a world leader in some of the innovation, and consistently.

Q273 **Chair:** We agree with all of that, but we are focusing specifically on the Brexit issues. The SMMT told us in December 2018 that a no-deal Brexit would be catastrophic for the sector. You said on Monday that it would be "ruinous". What do you mean by that, and what are you going to do to ensure that it does not happen?

Greg Clark: The first is, again, that I think it is important to look at and consider the evidence of the people who are running these businesses. You mentioned that the SMMT represents the sector. I want to mention Vauxhall, which is a very important employer in Luton and on Merseyside and has dealerships across the country. Their chief executive said that there would be "dramatic consequences" for their UK operations if we do not have a satisfactory Brexit. The chief executive of BMW said that they would move production of the Mini, potentially including the new electric Mini, to the Netherlands. Ford's group VP for Europe said that if Britain leaves without a deal, it "would be pretty disastrous" and would "force us to think about what our future investment strategy for the UK would be." I think we need to listen to these people, who employ hundreds of thousands of our constituents up and down the country. When they say that, I think they should be listened to.

Q274 **Chair:** Well then, don't you think that we should rule out leaving without a deal?

Greg Clark: I think we should have a deal. How do you rule out leaving without a deal, other than by having a deal or revoking article 50?

Q275 **Chair:** You could either revoke or pause article 50. You could ask for that.

Greg Clark: Pausing article 50 would not cure the uncertainty; in fact, it would extend the uncertainty. The only way to stop no deal is to either have a deal or revoke article 50, and I don't think that Parliament simply cancelling the referendum and pretending it never happened would be a sustainable outcome.

Q276 **Chair:** What I am trying to explore today is how we can give businesses certainty that they will be able to export and bring in their parts. That is what all of us want to happen after 29 March, and I think you agree with us on that, Secretary of State.

Greg Clark: I do.

Chair: What I am asking is, in the not unlikely circumstances that the Prime Minister's deal is rejected again—I repeat, the last chance we had to vote on it, it was rejected by 230 votes—what happens then?

Greg Clark: We need to find a deal that can command the support of the House of Commons. The only way to cure the uncertainty and bring a resolution to this is to agree a deal that commands the support of the House of Commons.

Q277 **Chair:** That is a statement of fact, Secretary of State.

Greg Clark: Indeed.

Chair: But what I am asking is if the Prime Minister's deal—and it is only the Government that can bring back a deal—cannot command that support in the House of Commons, what are you going to say to businesses then? What are the options on the table if the deal is rejected again?

Greg Clark: As business knows, the only way to provide for a certain future is for us to conclude our negotiations. We have to agree a way to come together across parties and across the House, make compromises and find a deal that represents a majority in the House. That is the only way in which we can provide that certainty to business.

Q278 **Chair:** So if that is not possible—if the Government cannot command a majority for their deal—I will ask again, Secretary of State: what happens then?

Greg Clark: Parliament needs to grasp the nettle and agree a deal that it can support.

Q279 **Chair:** I will ask again, Secretary of State: what if they don't pass a deal? What happens then?

Greg Clark: Then the uncertainty continues for businesses.

Q280 **Chair:** Well, the uncertainty only continues for a few days, because then we reach 29 March. What happens then?

Greg Clark: As you imply, Chair, if we don't have a deal on 29 March, the Act of Parliament that both Houses passed requires that we leave without a deal.

Q281 **Chair:** Would you still be a Government Minister in a Government that took us out of the European Union without a deal having been agreed?

Greg Clark: I have always very strongly expressed the view that we need to have a deal, one that allows us to continue the good trading relationships that we have, and you have seen that I have been a constant advocate for that. As long as that remains the policy of the Government, I will be a vigorous proponent of that, but I think it is obvious to everyone that if it were ever to be the policy of the Government to leave the European Union without a deal—if that were to be a matter of policy—there would be many people on all sides of the House who would regard that as unacceptable.

Q282 **Sir Patrick McLoughlin:** May I ask, Secretary of State, when the Department first knew, and then when you first knew, that there was doubt over the Nissan investment expansion? How long have you known?

Greg Clark: On Friday afternoon.

Q283 **Sir Patrick McLoughlin:** That was the first that any of your officials had been told.

Greg Clark: That is right.

Q284 **Vernon Coaker:** Can I just ask you, Secretary of State, building on what the Chair just said and the earlier comments of Mark Pawsey, about you seemingly ruling out pausing article 50, what would you say to ships in Japan and other businesses looking to send off equipment or materials to us, given that Japan is six weeks away?

In a sense, the point you were making—and I think the Chair was making, or Mark Pawsey was making—was that essentially, for them, it is not 29 March. What is your message to somebody deciding whether to send how many millions of pounds' worth of equipment to our car manufacturers, leaving a port in Japan, Australia or Korea? What are they supposed to do—leave on a wing and a prayer? They will not know what the trading arrangements will be when their ships are in the middle of the ocean. If we get into those circumstances next Friday, wouldn't the sensible thing be to say that maybe we will have to pause article 50? What are you saying to them—"sail on a wing and a prayer"?

Greg Clark: Mr Coaker, you know that the information that I have is the same as what you have.

Q285 **Vernon Coaker:** Yes, but you are the Business Secretary. What are you saying to businesses that are getting supplies from Japan, Korea or wherever, or that are sending equipment out there? How are they supposed to know on what basis they are trading when a change may be six weeks away? They have to know not by 29 March but by next Friday; otherwise, they are sailing without any clue as to tariffs and so on. Is that not the case?

Greg Clark: I have to describe the reality, which is that, in those circumstances, we cannot know for sure what the regime will be.

Vernon Coaker: But that is a week on Friday.

Greg Clark: Indeed. I say to them, as I have said to the Committee, and as I have urged the Committee to do, to make the case for coming to a resolution.

Vernon Coaker: But it is a week on Friday.

Greg Clark: Absolutely.

Q286 **Chair:** But the Prime Minister will not even bring a deal back by a week on Friday. Even MPs who want to vote for her deal will not have the opportunity. Next Friday, the Government will be in a position in which they have not given Parliament a choice to vote on a deal that would give businesses that certainty.

Greg Clark: Well, as I understand it, the Prime Minister will bring proposals back next week.

Q287 **Chair:** Well, she is going to bring a motion. She is not going to bring a meaningful vote back next week, is she?

Greg Clark: She's bringing a proposal that is an amendable motion.

Peter Kyle: That's not a binding motion.

Q288 **Chair:** That is very different, Secretary of State. She is not bringing a deal back next week, is she?

Greg Clark: As I understand it, she is there negotiating the deal. I think we have to wait until she comes back. I do not think she is coming to Prime Minister's questions today, because she is in Brussels negotiating it and discussing it. But it is very clear: we need to make a deal. For those who say we can play this to the wire and leave it until 28 March, I say no—we have to resolve it.

Q289 **Antoinette Sandbach:** Secretary of State, you have heard the expression, "kicking the can down the road". At what point will the Cabinet make a decision that there has been enough can-kicking and that we have to face up to the very serious and severe consequences that no deal would mean for this country?

Greg Clark: I think it is overdue that we should all do that. To be fair, it is not in the discretion of the Cabinet to ratify an agreement. It is incumbent on all of us in this House, across party, to come together and recognise precisely what you have described.

Q290 **Antoinette Sandbach:** With the greatest of respect, the dire lack of leadership in this country is causing huge damage to the reputation of Britain in boards around the world, who look at us and see confusion and do not understand what has happened in Britain. Parliament has never been given an opportunity to hold a series of indicative votes around what it might agree to—never. The Prime Minister has never put to Parliament her negotiating red lines and had those tested. At what point do the most senior advisers to the Prime Minister, namely her Cabinet, decide to come to Parliament and make sure that we get those options and those choices?

Greg Clark: I think that's unfair to what the Prime Minister has consistently sought to do, which is meticulously to understand what is needed in a deal. I can tell you from personal experience that she has focused on and understood the evidence that has been laid before her on the needs of different sectors of the economy and has reflected that in the kind of deal that she has negotiated. She is completely aware of that. She needs to propose a deal that can command the support of the whole House. It is evident that that is very difficult. I think it was evident—

Q291 **Antoinette Sandbach:** Secretary of State, forgive me, but at no point has the Prime Minister come to Parliament with a series of options, and the evidence to support those options. The criticism is always that Parliament does not say what it is for, but we have not had an opportunity to say what it is for.

If the Prime Minister cannot command a majority in the House for her deal, which thus far she has been unable to do, and given the dire consequences of a no-deal Brexit—an international trade observatory indicates that in a no-deal Brexit, 83,000 jobs are at risk in the north-west—at what point is there going to be a decision to allow the House an opportunity to indicate what it might coalesce around?

Greg Clark: Two things. First, it is the responsibility of the Prime Minister, which she takes very seriously, to try to propose a deal that can command the support of the House. She is absolutely focused on doing that, and I think even her critics respect the tenacity and seriousness with which she has approached that.

Again, from my personal dealings with her, I think she has very much personally in mind the responsibility that she and all of us bear for the livelihoods of ordinary men and women around this country. This is not a matter of theology and hypotheticals; I think she has clearly in mind the consequences that the decisions before us have, and she is absolutely focused on that.

In terms of the question on how the House can express its view on different options—different variants—it has the ability to do that. It had the ability to do that last week. The motion that was brought forward allowed amendments to be tabled to it, which I think is a good mechanism. It will come back again. My view is very clear: parties should come together and Members of Parliament should come together, to try to find a compromise with each other that can command the support of the House.

Chair: Okay. You have said that.

Q292 **Peter Kyle:** Your responses to various Members, and particularly to Mark

Pawsey's final question, seem to imply that the Commons was objectively wrong to vote against the deal. Can you tell me who bears the most responsibility—a Government who bring forward a Bill that is the least popular Bill in the history of our Parliament, or Parliament, for voting against it?

Greg Clark: Well, let us look at why people voted against the deal in such large numbers—

Peter Kyle: That was not my question at all.

Greg Clark: It will help us to answer your question. The truth is that many of our colleagues voted against the deal because they thought it kept us too closely tied to the European Union. Many others voted against it because they thought it took us too far away from a close relationship with the European Union. You had a combination of Members, who no doubt had valid criticisms, from where they came, and voted against it. That is not going to get us—

Q293 **Peter Kyle:** You are talking about the two extremes but you are ignoring the middle. A 230 majority against is not the two extremes; it was also right the way down to the middle. Only 10 MPs on your side that were not on the payroll voted for the deal, so it is not the two extremes. This is the result of a Government that did not listen all the way through the process and then brought forward a Bill that the Commons had known for a very long time would not be able to pass the Commons, yet the lack of engagement led to that point.

My question to you is, you seem to be suggesting that MPs should shoulder the responsibility for not backing a deal that the Commons had said consistently throughout that it was unhappy with. All the way through the formation of the red lines—the red lines in the various speeches, from the Florence speech right the way through to the Chequers announcement—it became patently clear that the Commons, as a majority, was not going to accept it, and yet the listening did not start until two weeks ago.

Greg Clark: First, I made no mention of extremes. There were large numbers of people on both sides who, no doubt sincerely, felt that the deal either took us too far away or kept us too close. That was, I guess, not entirely unexpected, since the result of the referendum was very close. So it is evident that if you are to command a substantial majority for a deal, people are going to have to compromise. Those that think that there is a purist Brexit that severs our relationship with the European Union I think will, if we are to do a deal, have to compromise and back a proposal that takes us out—

Q294 **Peter Kyle:** You've said that, and I get that. Churchill made very clear recommendations to MPs as to how they should decide how to vote—country first, constituency second, party third. What is your advice, then, to MPs when they are faced with a deal that they believe in their hearts offers less opportunity, less prosperity and fewer opportunities for future generations than the deal that we currently enjoy with the European

Union? What are your recommendations to those MPs? Should they vote against their instincts, their insight and experience—vote against what they believe is best for the country and their constituency—simply to pass this Bill?

Greg Clark: I think they should be active rather than passive. If they feel, for the perfectly good reasons that you mentioned, that they cannot support a deal, it is incumbent on us all to do what we can to find the compromises and common ground between us—not just to sit with folded arms and vote against things that we do not like. That is not going to resolve the matter, as is evident. I think we need to come together and find a deal that can be approved.

Q295 **Chair:** With all respect, the 432 MPs who voted against the deal are not sitting there with folded arms, trying to get someone else to sort out the problem. Many of the amendments last week from people who voted against the deal were to try to find a way forward, whether by extending article 50 for a period of time to try to get a deal, or having indicative votes on the Floor of the House. I find your suggestion that MPs who voted against the deal are sitting there with folded arms—

Greg Clark: That wasn't my suggestion.

Q296 **Chair:** Then what is? You think that MPs who voted against the deal are sitting there with folded arms?

Greg Clark: No; quite the opposite. I think that people who—

Q297 **Chair:** Who are the people sitting there with folded arms, then, Secretary of State?

Greg Clark: I was making the point that, in terms of resolving an impasse where we have a substantial majority against it, every one of us should be seeking to find common ground and to find a path through it. That is what Parliament has done throughout our history. We have been a Parliament that has been ready to—

Chair: If that path was your objective, Secretary of State, I would have thought you might have voted for the Dominic Grieve amendment, which might have helped to find that common path. We are running out of time, and that is something that I think concerns all members of this Committee. You have already said that next Friday, 15 February, is the day by which we need a deal to give certainty to the businesses that you see all the time as Secretary of State, and that we see as members of this Committee. We are running out of time. If article 50 is not extended then I just do not see how we will have a deal by 29 March.

Q298 **Stephen Kerr:** Going back to scrutinising the work of the Department in relation to no-deal planning, how much money has been spent on no-deal planning, and what has it been spent on?

Greg Clark: I will ask the Permanent Secretary to make his first intervention.

Alex Chisholm: We were allocated £185 million by the Treasury for spending this year on EU exit preparations. That is in addition to ordinary work that would be done by the Department on European matters, so we had already re-prioritised some staff on to it. That money, as you may or may not have seen from my supplementary updates, has now been adjusted to £139 million this year. The money we were going to spend on preparations for business has been reallocated to the Cabinet Office for its public information campaign, which, as you may have seen, has been rolling out from the beginning of the year, and some of the money from the Joint European Torus project and the work on the UK alternative to Galileo has been moved into the next quarter. It is £139 million. To break that down, about £71 million is on admin—mainly staff and non-staff costs, some within the core BEIS Department but also across 12 different partner organisations—£12 million is on resource expenditure, mainly for things like databases for product safety and market surveillance, and nuclear safeguards; and then about £53 million is on capital, the biggest portion of which is for the global satellite system.

Q299 **Stephen Kerr:** Has that money all been spent?

Alex Chisholm: We are on track to spend almost all the £139 million, yes.

Q300 **Stephen Kerr:** How many extra staff?

Alex Chisholm: About 700.

Q301 **Stephen Kerr:** In total?

Alex Chisholm: Yes.

Q302 **Stephen Kerr:** Are they all in place?

Alex Chisholm: Yes, we were able to recruit them all on time.

Q303 **Stephen Kerr:** Predominantly in London?

Alex Chisholm: Mostly in London, yes. Some of those people working in partner organisations will be spread across the UK, and we have added some posts in Birmingham, particularly for the work on product safety.

Q304 **Stephen Kerr:** I hope we have time to come back to where staff are and where the BEIS Department is situated. What about Brexit-related legislation? You told us, I think, that we needed about 150 SIs.

Alex Chisholm: I think the original estimate was about 130. We have been able to make some changes both by concentrating on ones we thought it vital to have on the statute book before the end of March and by consolidating and bundling different instruments, for Parliament's time and ours, and for business users and others out there. The total number of SIs we need to have in place has gone to 62, and those have been laid before Parliament. That is in addition to primary legislation—particularly the Nuclear Safeguards Bill, which was passed and became an Act last summer.

Q305 **Stephen Kerr:** So there are 62 still—

Alex Chisholm: No, 62 have been laid. We have perhaps one or two more to do.

Q306 **Stephen Kerr:** Just one to go?

Alex Chisholm: Yes.

Q307 **Stephen Kerr:** What about the balance? What happens when we get to 29 March? What consequences are likely to flow from that?

Alex Chisholm: There is not a balance of outstanding legislation that needs to be in place. That has been achieved through consolidation.

Q308 **Stephen Kerr:** Okay, so the 62 take care of everything?

Alex Chisholm: Yes.

Q309 **Stephen Kerr:** Okay—very good. Let me ask you about the work streams you described last time you were with us. You said there were 68 Brexit work streams. You described 21 as a priority and said 12 required new IT systems. It always sends a shiver down my spine when Governments talk about new IT systems, for obvious reasons. What progress has been made on that? Is everything on track?

Alex Chisholm: Very good. The number is 66 now—again, it moves around a bit because programmes change shape. All of those are on track. That is independently verified by DExEU, and we have had 39 independent reviews of our exit programme since last January, 32 by the Infrastructure and Projects Authority and seven by our internal audit function. It is very much verified that we are on track for both deal and no deal, which obviously is an important complicating factor here. The only ones showing up as not 100% on track relate to the single electricity market in Ireland, which is a cross-border undertaking. On a no-deal basis, where there was no agreement about the terms on which we had left, we cannot be sure what actions would be taken on the other side of that cross-border undertaking.

Q310 **Stephen Kerr:** Are there no bilateral discussions with the Irish about the consequences of that?

Alex Chisholm: We have certainly worked very closely with the authorities in the Republic and in the north—with the regulators and the practitioners, and at Government level as well. Obviously, the overall negotiations are led by the European Commission rather than by the Government in Dublin, but we certainly have worked with them. There is a very strong commitment by the UK Government, the Government in Ireland and the European Commission to try to preserve the single electricity market, which is seen as a very important development that is of interest to everyone in the market.

Q311 **Stephen Kerr:** It is pretty vital. Question marks against the single electricity market in Ireland would be hugely significant. How confident are you about what will happen on 30 March if there is no deal?

Alex Chisholm: As I say, we are reasonably confident, in the sense that there will be no immediate effects in terms of lights going out or electricity supply being affected. Indeed, we have just completed an auction for electricity to be available next winter, which has successfully cleared, so there is a reasonable level of security of supply. On the other hand, we can't assure the overall legal standing of something that is outside a legal framework. Clearly, if there is no agreement, it would be outside a legal framework. We will do what we can unilaterally, but that is not the same as saying that the whole thing is covered by an agreed body of law. That would be provided by the withdrawal agreement and, in particular, the Northern Irish protocol, but if there is no agreement, that legal framework will not be in place.

Q312 **Stephen Kerr:** Let's go back to staffing for a moment. Are the 700 extra staff all working on Brexit-related stuff?

Alex Chisholm: Yes.

Q313 **Stephen Kerr:** How many of the existing staff have been taken off what they would have been doing ordinarily and are working on no-deal planning or Brexit-related stuff?

Alex Chisholm: In our first year of full Brexit work—2017-18—we moved 100 people across from other work to Brexit work. In our second year, we moved a further 100, so that is 200. We have 700 additional people who come with the Treasury funds, so that is 900, and we have mobilised a further 335 over the last two months to work on Brexit work. In total, we have 1,235 staff working on Brexit work within the Department.

Q314 **Stephen Kerr:** And consultants?

Alex Chisholm: Consultants—hardly any.

Stephen Kerr: Hardly any?

Alex Chisholm: A dozen, perhaps. Maybe digital specialists. It is a very marginal part of our work.

Q315 **Stephen Kerr:** So what is not being done as a result of this reallocation of resource? There are various things that the Department was working on that you have gone very quiet about. For example, the share buyback stuff—we have heard nothing about that, and that's way overdue.

Alex Chisholm: That would be an example of something we would like to proceed with. Obviously, that hasn't been a priority for the last few months. There are other things that we have obviously had to go a bit more slowly on and have smaller teams.

Q316 **Chair:** Like what?

Alex Chisholm: For example, we have talked before in this Committee about the role that hydrogen might play in the economy and in the UK's heating system in the future. That will be very important in the 2030s and 2040s to meet our climate change obligations and everything else. The work on that has been pushed back by about a quarter or maybe six months, because it hasn't been vital to do it by the end of March, unlike some of this other work.

Q317 **Stephen Kerr:** What criteria have you applied to the priorities that you have set? Are they political decisions? Are they financial decisions?

Alex Chisholm: That is absolutely something to discuss with Ministers, No. 10 and the Cabinet Office. Clearly, we have legal obligations that we have to meet. We have vital work that we are doing right across the BEIS family estate, such as decommissioning nuclear work, rolling out smart meters and licensing offshore platforms. That type of work can't stop. All that needs to continue. In our discussion with Ministers, they have been very clear about the industrial strategy, which is obviously one of the core things that the Department is there for. It needs to be delivered, and people would not say, "We will stop work on that because of Brexit work," because it is vital to the future of the economy and for everyone working in it.

Stephen Kerr: Okay. It would be interesting to know when exactly we are going to hear more about the share buybacks. It would be interesting to know what the Department intends to do about the consultation on insolvency, because Carillion has posed so many questions, and we can't wait for answers. Then there is the consumer Green Paper. All those things are outstanding, and it would be good to know exactly when we can expect something to happen in relation to those issues.

Q318 **Sir Patrick McLoughlin:** Of those 1,235 jobs, how many are in London and how many are outside London?

Alex Chisholm: I don't have the exact breakdown. I can say that, across the BEIS family organisations, 82% of our employees are outside London.

Q319 **Chair:** In BEIS itself, not the different departmental bodies.

Alex Chisholm: I don't have the exact breakdown of that group.

Q320 **Sir Patrick McLoughlin:** But you can assure me that a fair proportion of those are outside London. They are not all London-based.

Alex Chisholm: They are not all London-based, no.

Q321 **Chair:** How many staff do you have?

Alex Chisholm: About 3,300 at BEIS.

Q322 **Chair:** Roughly, how many are in London?

Alex Chisholm: The large majority.

Q323 **Chair:** 95%?

Alex Chisholm: Less than that, because we have got quite a number in Aberdeen, Birmingham and Cardiff. Those are all substantial offices.

Q324 **Chair:** 90%?

Alex Chisholm: Maybe around that, yes.

Q325 **Chair:** So about 3,000 in London and about 300 elsewhere?

Alex Chisholm: A bit less than 3,000 in London.

Q326 **Stephen Kerr:** How can BEIS implement a UK-wide industrial strategy when you have so little presence across the United Kingdom? I represent a Scottish constituency and I am very anxious about how the Union works. BEIS has a responsibility in Scotland—in my constituency, with a city deal. There is very little evidence or presence of BEIS in Scotland.

Alex Chisholm: We do have representation in Edinburgh now, and we have a big office in Aberdeen—we are one of the biggest employers there, with the Oil and Gas Authority and the offshore licensing.

Q327 **Stephen Kerr:** Yes, but BEIS is much more than oil and gas. Small business confidence in Scotland—you probably saw the index—is minus 33 points.

Alex Chisholm: It is very low, yes.

Stephen Kerr: It is horrendous. BEIS needs to have a presence in Scotland.

Q328 **Chair:** I would have thought, given what we have said to you, Alex Chisholm, and Ministers before, this opportunity to recruit all these new people might have been an opportunity to get some staff outside London. Most other Departments do it in much higher numbers than BEIS manages it. Do you think that our concerns are misplaced or are you actually going to do something about it?

Alex Chisholm: As I say, 82% is a lot outside of London and that proportion continues to increase.

Q329 **Chair:** No, no, no. We are asking about the Department that you manage—the 3,300 people who you manage in your Department—not the non-departmental bodies. If you could focus on that, please.

Alex Chisholm: I am responsible for all that expenditure as the accounting officer, so—

Chair: I am asking about your Department—the 3,300 people who are responsible for policy. All those people who are responsible for policy are based in London, apart from 300—maybe a little bit more. Some 90% are in London, despite the fact that energy policy and industrial policy have got to be delivered around the country. Do you really think that is a good balance?

Alex Chisholm: We do have offices right across the country. All the offices I mentioned—Aberdeen, Birmingham and Cardiff—are expanding considerably. Where we have the opportunity to do so, we will certainly take that. The Office for Product Safety and Standards, for example—

Q330 **Chair:** So how many jobs did you say you had recruited—700?

Alex Chisholm: Those 700 were additions, yes.

Chair: When you advertised those jobs, how many were advertised as London-based?

Alex Chisholm: I do not have that figure.

Q331 **Chair:** Can you get back to me with that? Are you happy with the balance of your staff being 90% in London?

Alex Chisholm: It is an inherited situation.

Chair: No it is not—you just recruited 700 staff.

Stephen Kerr: Only 2.2% are outside London.

Alex Chisholm: There is a terrific efficiency to having people being able to move between floors within a building and work closely with Parliament. We have officials coming into Parliament every single day Parliament sits to work with other Whitehall Departments. Brexit particularly, with the people working on Brexit, has required a very high level of co-ordination with a number of different Departments, particularly DExEU of course, and the Cabinet Office, the Treasury, DEFRA, DCMS and DfT. We are meeting those Departments every single day of the working week. That is a factor.

Q332 **Chair:** Greg Clark, are you comfortable with that?

Greg Clark: You know my views on building up the power of the economy around the country. I want to see not just a big shift in terms of the number of staff employed by my Department, but actually devolution so that, for example, you have people in the west midlands taking decisions that were once taken in Whitehall and Westminster. That has been my approach.

Q333 **Chair:** Maybe you would like to have a little word with your Permanent Secretary and see whether some of those jobs might be advertised in the West Midlands, Yorkshire or Scotland in future. Whatever the Permanent Secretary says, I think most people round this table believe that you can get great efficiencies and great staff by recruiting outside the narrow pool of people you get if you recruit in London. With all respect, it might result in some better policy ideas coming out of the Department as well.

Stephen Kerr: Only 2.2% of the 680 people recruited by the end of September last year were outside London.

Chair: That is because of the great efficiency of having everybody in London and missing out on the talent of 90% of the country.

Stephen Kerr: And everybody can move between floors.

Chair: You have managed to unite Stephen Kerr, me and the whole Committee on that issue.

Q334 **Sir Patrick McLoughlin:** How much spare office space have you got? Where have you put those people?

Alex Chisholm: They are distributed between our two main offices in Victoria Street. Most of the people—

Q335 **Sir Patrick McLoughlin:** So they were very under-occupied then.

Alex Chisholm: No, we do not have much spare office space at all. We have had to move 800 people in the Department between floors to consolidate and fit people in. We have introduced smaller desks and we have had to budge up. That is the reality of the situation.

Chair: I am going to move on. That will not be the last time we mention this. Maybe by next time you will have done something about it, with all respect.

Q336 **Peter Kyle:** I have two very quick questions, Secretary of State. First, there has been a lot of media attention this morning on an idea raised by your colleague at the Department for International Trade to have zero tariffs on imports should there be a no-deal Brexit. Is that something you would support, given the impact it will have on domestic production?

Greg Clark: Well, that would need to be agreed across Government.

Q337 **Peter Kyle:** But would you support it? Is it a good idea—yes or no?

Greg Clark: As is evident from our discussions, I want to see zero tariffs with our trading partners in the European Union wherever possible. However, there are some areas in which there are trade defences—

Q338 **Peter Kyle:** Unilateral zero tariffs on imports, but with the same export tariffs remaining in place. Is that good or bad? Would you support it, yes or no?

Greg Clark: I want to see low tariffs, but I want to make sure that we do not ignore the importance of defending ourselves against dumping by our competitors.

Q339 **Peter Kyle:** You want reciprocal tariffs, not a unilateral drop to zero tariffs on imports?

Greg Clark: I think it needs to be a bespoke arrangement. In general, with our European partners, they should of course be zero. We want to preserve that. We do not want any disruption in trade. There are some industries—such as the ceramics industry, which I think has a very important future, as well as being important now—in which there has been some very aggressive, anti-competitive dumping, particularly by China. We need to maintain our defences on that.

Peter Kyle: Thank you. That was not entirely ambiguous.

Q340 **Chair:** Have you spoken to the Secretary of State for International Trade about this?

Greg Clark: Of course.

Q341 **Chair:** So you were happy for these ideas to be floated today?

Greg Clark: There is a process in Government, as is evident, of taking the opinions of colleagues from across Government and proposing a policy that is then collectively agreed.

Peter Kyle: But he has announced it unilaterally. It has been leaked to the press, going outside all those barriers. We are asking you to be as candid as he has been.

Q342 **Chair:** Business desperately wants some reassurances, Secretary of State. You are saying that all these things need to be looked at, but businesses in Staffordshire and Stoke, and the steel industry across the country—what is left of it—are looking at this and wondering what future there is for them in this country. They would like something a little bit clearer from you, Secretary of State, on what you think of these proposals.

Greg Clark: I can tell from the grin on Mr Kyle's face that he has the advantage of social media giving him a report. You would expect me to observe the proper process for collective—

Q343 **Peter Kyle:** But your colleague has floated a balloon today. I am asking you to shoot the balloon down.

Greg Clark: I have not read my colleague's comments that you refer to.

Q344 **Peter Kyle:** Finally from me, the Prime Minister has gone back primarily to renegotiate the backstop. I have been through and analysed the five days of debate on the withdrawal agreement, and concerns about trade were mentioned three times more—by Members from both sides of the House—than the backstop. Trade is a far greater concern to the majority of MPs than the backstop. What have you done to impress upon the Prime Minister that, if she is going back to seek changes to the withdrawal agreement and the political declaration, what the House actually really needs is more certainty about trade, which was raised far more often than the backstop?

Greg Clark: The withdrawal agreement provides for uninterrupted trade with our partners in the European Union, which is one reason why I think it important to agree such a deal.

Q345 **Antoinette Sandbach:** BEIS estimated in January last year that our electricity imports would quadruple between 2017 and 2025. Interconnectors are an important part of electricity provision. Where are we in relation to implicit trading for electricity and the plans to join the XBID platform if there is no deal? Does the political agreement cover the circumstances to allow for implicit trading in the subsequent negotiations if the deal is passed?

Greg Clark: The ability to continue to trade electricity is an important feature of our relationship with the rest of the European Union, and exactly as you say, in the context of the next round of negotiations, that is our objective.

Q346 **Antoinette Sandbach:** Sorry, I asked what the implications were for

XBID in relation to no deal, because the cost to the UK consumer estimated by the UK Energy Research Centre is £270 million a year. That is a significant cost to the consumer.

Greg Clark: Indeed.

Antoinette Sandbach: Are we going to remain part of XBID? Are we going to join XBID?

Greg Clark: In the event of no deal, those arrangements would come to an end.

Q347 **Antoinette Sandbach:** So that is a consumer cost of £270 million from 29 March.

Greg Clark: I am not familiar with the figures.

Q348 **Antoinette Sandbach:** Could I move on to projects of common interest status? We received €100 million from the Connecting Europe Facility between 2014 and 2018 to build our interconnectors. I understand that the French regulator is concerned about the impact of Brexit, and has referred the case to the European Agency for the Co-operation of Energy Regulators. How are you going to replace that lost EU funding? I mean, €100 million is pretty close to £100 million these days.

Greg Clark: That takes us into our discussions with the Treasury about various aspects of replacing EU funding. I don't know whether you want to give an update on that.

Alex Chisholm: Yes. First of all, on interconnectors, as you rightly say, they are an important part of the energy system in the UK—about 5% at the moment—and we are expecting that to increase by perhaps two, three or even four times over the years ahead, as you mentioned. The picture is more varied. It is true that the regulator in France has asked to pause the interconnector that we are in the process of constructing with them, but other interconnectors are proceeding: the north-south one in Ireland, for example. I was also over in Belgium just a few weeks ago to open the new so-called Nemo link between the UK and Belgium, which is up and running.

Q349 **Antoinette Sandbach:** But those were all built with support from that fund, so what is happening about the replacement? That is €100 million lost.

Alex Chisholm: The scheme of support for those interconnectors is managed by Ofgem, and they provide an assurance about what is the minimum price that will be achieved.

Q350 **Antoinette Sandbach:** So in other words, not only are UK consumers going to pay more for their electricity because we are going to be outside XBID, but Ofgem are going to put money on consumer bills to pay for the cost of interconnectors, which we previously got from grants in Europe.

Alex Chisholm: Certainly, there were funds available from Europe, but they were a small part overall. On the whole, they have been privately funded in the expectation of future revenues. Some of those revenues come just from what they're able to sell into the market for, but they have also had top-up payments to make sure that this additional capacity is there. It is actually quite low-cost electricity, because we only import it when we need it. In other cases, we are actually exporting—we have a surplus—so because that balancing overall is very efficient, it is lower-cost electricity than others we use.

Q351 **Antoinette Sandbach:** That does not accord with the UK Energy Research Centre assessment that that's going to cost consumers £270 million a year, does it?

Alex Chisholm: I have not seen that particular research.

Antoinette Sandbach: Maybe you could have a look at it and write to us.

Chair: If you could get back to us on that, if we pass you the information—

Q352 **Antoinette Sandbach:** Can I just ask what is happening on whether the EU ETS should be replaced with a UK ETS, or a carbon tax? Has there been a decision about that?

Alex Chisholm: Certainly in the context of an agreed deal, we would propose to remain part of the ETS scheme during the implementation period, which we believe would be beneficial for market participants in the UK. In the context of no deal, in order to try to replicate the effects of the ETS as quickly and efficiently as we can, a carbon tax would be introduced at approximately the level necessary to make up for the withdrawal from the ETS.

Q353 **Antoinette Sandbach:** And has that been agreed with the Treasury, then, so in effect there would need to be an emergency Budget to introduce the new carbon tax?

Alex Chisholm: That tax level has been agreed with the Treasury, and I think they said they would readjust it every six months, according to what is necessary.

Q354 **Vernon Coaker:** Mr Chisholm, for the people in Northern Ireland, and the whole island of Ireland, watching this, just briefly—Mr Kerr answered some of this, but can you just say more loudly and clearly? The integrated single electricity market, which is the whole island of Ireland—how is this going to operate in future? What no-deal planning have you done? How does the negotiation taking place at the current time around the withdrawal agreement affect the operation of that single electricity market, if it changes? The existing withdrawal agreement, as I understand it, protects it. What happens if it changes? Just say a little bit about the no-deal planning that has taken place, because there have been all sorts of things, and some people just dismiss it as scaremongering; other people say this is a real threat. Briefly, so the people of Northern Ireland understand, what is the future of energy in the whole island of Ireland, and the protection of the integrated single electricity market?

Alex Chisholm: Thank you very much for your question. First of all, it is a single electricity market, north and south, and that is the case both at the physical level—like the infrastructure—but also in terms of how it actually works as a market. It is effectively a software system that enables the trading of energy to take place right across the island of Ireland—a set of algorithms. Those will continue to operate, so even if we had left with no deal—

Q355 **Vernon Coaker:** Imagine you are speaking to people in Northern Ireland who have switched the light on. We know all that—what you have said.

Alex Chisholm: There is no immediate interruption, in effect. Equally, there is nothing that the Government of the UK will do to try and impair the continued operation of the single electricity market. That is also very much the view of the Government in Dublin—and we have spoken to them to that effect—and also of the regulators, who have key responsibilities in this place. We have also met with the market practitioners, both north and south, the people who actually operate the system—the system operator for Northern Ireland—it is part of EirGrid. I have been in a room like this with all of those players even a few weeks ago and they have said they are absolutely committed to making sure the single electricity market—

Q356 **Vernon Coaker:** So the lights are not going to go out.

Alex Chisholm: The lights are not going to go out. There is no short-term interruption. Where we have some concerns is that if you are operating without a full legal framework, that creates some uncertainties for the medium and long term.

Q357 **Vernon Coaker:** What does that mean?

Alex Chisholm: It means that the reason we have a full legal framework in place—

Vernon Coaker: Yes, but what does it mean? Concerns—what does that mean? That there is an interruption to supply? If there is a concern, what is it?

Alex Chisholm: There could be challenges to the legal framework—

Q358 **Vernon Coaker:** Yes, but what is a challenge? What is it?

Alex Chisholm: Litigation could occur, for example.

Q359 **Vernon Coaker:** Well, that's electricity supply, isn't it? Do you see what I mean? What is it?

Alex Chisholm: It is also going to affect, if there is less confidence, the market—it may affect the price of electricity.

Q360 **Vernon Coaker:** Yes, but what is it? Is it that the light won't come on, or the electricity isn't—

Alex Chisholm: We have been very clear that prices could be affected—

Q361 **Vernon Coaker:** Up or down?

Alex Chisholm: If confidence reduces, investors will typically demand more of a premium, so prices go up.

Q362 **Vernon Coaker:** So prices could go up.

Alex Chisholm: That is certainly a risk of operating without a full legal framework for the single electricity market.

Q363 **Vernon Coaker:** Disruption to supply?

Alex Chisholm: We do not foresee that in the short term, and that is one of the reasons why, as I mentioned earlier, we have actually secured electricity for next winter, which is the typical peak time.

Q364 **Vernon Coaker:** You can see how important it is, and I think people would want to know you are on the case, because it is obviously not discussed as much as it might be, apart from our Irish colleagues and here and there. But it is really important.

Alex Chisholm: Absolutely. And there is sufficient capacity in the north and the Republic and also by both the electricity and gas interconnectors from the UK—from GB.

Chair: Thank you.

Q365 **Albert Owen:** Good morning. Can I move on to the future of civil nuclear and ask you, Secretary of State, considering that a number of developers have either paused, suspended or got out of the nuclear build programme, are you still committed and confident that new nuclear will play a part in the future?

Greg Clark: Yes, and we see, with Hinkley Point C—and Mr Liddell-Grainger has some personal experience of that—that it is rising from the ground and is, I think, one of the biggest construction projects in Europe. Associated with that, there has been a revival of investment in the supply chain and in nuclear skills, with people being trained from apprentices and universities putting on new courses. That is very much there. You will be aware, Mr Owen, that the nuclear sector deal that was struck with the sector last year makes a number of joint commitments, on decommissioning as well as new builds, including a commitment to research and development on the next generation of nuclear, in particular advanced nuclear reactors.

Q366 **Albert Owen:** But the reality is that the Centricas of this world, NuGen and many others—we are not talking about small companies here—have decided no longer to invest in new nuclear. You had an ambitious target—the previous Government did—for so many to be rolled out by the mid-2020s and the 2030s. That is no longer the case. My question, which I think you have partly answered, is whether you remain committed and whether that remains part of your policy.

Greg Clark: Yes. The two projects have very different circumstances. Toshiba has gone through very significant financial difficulties and has decided to refocus its business across the world. When it comes to Wylfa, the project has been suspended, as we know. As I said in the statement I made at the time, the economics of energy has changed very rapidly over the last eight years. The costs of many alternative sources of energy, including renewables, have fallen much faster than was predicted. There was scepticism in the past about whether they could be deployed on the grid, but that has been technically achieved. At the same time, the cost of new-build nuclear has increased, so you have had a challenge there because of the scale of the projects. This was the difficulty with Wylfa; it was hard for Hitachi to fund it.

Q367 **Albert Owen:** I understand that, but we are talking about a decade where it has been stop-start all the way along. Many of these developers feel the funding model for this to happen is not in place, and there is uncertainty. You have proven technologies and proven developers, but they do not seem to come together, because ad hoc projects and ad hoc deals have gone ahead. Do you understand the frustration at many of these sites? At Moorside, the third developer has pulled out. At Wylfa, the third developer has pulled out. This is not a recent phenomenon; it has been going on over a decade. You have said you are committed to it. What new features are you going to bring into the nuclear sector with the nuclear sector deal to make this happen? It is needed.

Greg Clark: As I think you know, in the case of Wylfa we explored a different funding model, in which we were prepared to have some equity participation, but that was not enough to be able to finance it. We have said that we will look at the potential for a different model—the RAB model, as it is called—to have the regulatory asset base used to finance construction.

Q368 **Albert Owen:** So you had those discussions with Hitachi/Horizon?

Greg Clark: Not just with Hitachi but with other players. We have committed to concluding that assessment and being able to make a statement on it by the summer.

Q369 **Albert Owen:** Before I go on to Wylfa specifically, the sector deal was launched in north Wales and I am fully supportive of its content. SMRs were part of that. What is the progress with SMRs? When are they going to be developed? Are they going to be developed domestically in this country? Is the technology there? What is missing? Why can't you fast-track small modular reactors?

Greg Clark: SMRs have great potential. A consortium led by Rolls-Royce has made a bid to the industrial strategy challenge fund. As we have already discussed, these funds cannot simply be allocated by Ministers; they go through an independent assessment process, in this case by UK Research and Innovation, but I have seen the bid and it is well constructed.

Q370 **Albert Owen:** With respect, I was on the Energy and Climate Change Committee, which went up to Sheffield and had these discussions many years ago. You now have a sector deal and a framework, so when I say "accelerating", I don't mean cutting corners; I mean getting on with the job and producing SMRs in this country.

Greg Clark: Absolutely. The bid is a very substantial bid. It is being evaluated by the appropriate body—UK Research and Innovation. I don't know, Alex, whether you can give an update.

Alex Chisholm: I can give a few more facts on that, if it might be useful for Mr Owen. We have spent £44 million on R&D for advanced modular reactors, and one of the things that we said we would do last year was to begin the process of engagement between themselves and the Office for Nuclear Regulation—it is obviously an independent body, not part of our Department, but it has a vital role; we would not be able to roll out SMRs without proper regulatory approval—and also with the Environment Agency. That has now happened, so five mature SMR designs are now part of that regulatory engagement system with the ONR and the Environment Agency. So both on the R&D side and on the regulatory side, there has been good progress, as well as, as the Secretary of State mentioned, in relation to a substantial bid that has been received.

Q371 **Albert Owen:** You will understand the frustration over the large scale—I'm talking about SMRs now. Have we got a date, in BEIS, when you think the first SMR will be operable? Then we can work back from that.

Alex Chisholm: No, we don't have that, in truth, and in fact the process for trying to get generic design approval for a new nuclear system of any kind typically takes two or three years, and the submission of that normally takes companies a very large amount of time and money to do. We are not at that point yet. So until we have started that process, I wouldn't like to give a forecast about when it will be over.

Q372 **Albert Owen:** Thank you. Can I move now to the specific issue of Wylfa? We have had this discussion, and I want to put on record my thanks to you, Secretary of State, for the engagement that you have had with me and with north Wales MPs, because this will impact on the whole region. But it's not very helpful when you get the chairman of Hitachi going to Davos, where I think politicians and senior businessmen go to drop their guard, and saying specifically—his words—"Nationalisation is the only path" to save this nuclear project. Four hundred people are receiving their redundancy notices in my constituency. The company is making a statement saying it's suspending this and giving a timeframe and, as you said, looking for another model. But then you get the chairman of that very company making this public statement.

Greg Clark: Mr Nakanishi is a great ally of the UK. The investments that Hitachi have made, including in Wylfa, where they have invested about £2 billion, followed a very significant commitment to the UK.

Q373 **Albert Owen:** I have worked with them closely and am aware of that.

Greg Clark: And I think your constituents would acknowledge that they are a very good employer. They engage very well. Their board came to a conclusion that they could not finance on their balance sheet the scale of that investment. I think it's no part of the wish of Nakanishi-san on this. He is personally committed to it.

Q374 **Albert Owen:** But this is what he said, and what he was hinting at was that there needs to be more Government money in this project.

Greg Clark: What he said was—

Q375 **Albert Owen:** Sorry, but can I just pose a question to you? There is going to be a pause of approximately two years so that you can get a new model up and running, but he is saying that if the Government put a bigger stake in, this could possibly proceed. That's what he said.

Greg Clark: It is true to say that he said that if the Government were to nationalise it—I think he said that that would be the only way it could proceed on the present model, as it were. We are not about to nationalise it, and I think he was reflecting the fact that they, a private company, had struggled to attract the private investment for it. I don't think that should be interpreted as a kind of cavalier statement.

Q376 **Albert Owen:** I am quoting his words. Something may have been lost in translation, but that is the message that came back, that was reported, and there has not been a denial from the chairman of Hitachi that this project could be nationalised to go forward.

Greg Clark: No, I think he was making a different point. I think he was saying that the difficulty of financing privately nuclear power at scale—

Albert Owen: I am hoping to speak with him to get clarification, because this is hugely important, as I say, to the north Wales economy and to the north Wales growth bid; the UK Government and the Welsh Government have put millions of pounds into it. Is there a contingency arrangement so that the lost jobs, the 400 jobs in this company in the nuclear sector in this country and in north Wales—again, you have agreed to come up to north Wales to discuss this, but can I ask you, on the record and honestly: are there going to be extra resources to fill the gap here? Many companies have invested skills and time into this project—skills that providers have and the local authority has—and lots of people feel that the opportunity has been lost. Is there going be extra effort and resources from you and the Welsh Government, who I have spoken to as well?

Greg Clark: Yes, but it is important to emphasise that the project has been suspended. We expect to enter into discussions to inform the assessment that we make of alternative models, but in terms of the further opportunities, I am very committed, as you know, Mr Owen, to the north Wales growth deal. The nuclear sector deal was launched in Trawsfynydd and there was a reason for that. That seems to be an ideal place for the next generation of nuclear reactors, whether they are SMRs or AMRs, to be located, to make use of those skills. The wider opportunities in energy in north Wales, and Anglesey in particular, are absolutely recognised. We have research and development funds that are bid for competitively, but we will be—

Q377 **Albert Owen:** I am with you on that. You offered a generous package to Hitachi for this project to go ahead. I supported you when you stood up in the House of Commons last year and made that announcement. What I am asking you, quite forcefully, is if some of that money will now be made available, so that people don't leave the area, and go and work in other parts of the industry, leaving the economy deficient of those skills and the potential investment. I think that is what people want to hear. I spoke to the staff on Friday, including a couple of dozen—30 maybe—apprentices, all of whom want to work in the industry. They were very excited when you made that statement a year ago about the commitment to it, but they now fear that their careers may be curtailed or that they will have to move from the area where they want to live and work.

Greg Clark: I understand that, Mr Owen. That was a proposed participation by the Government in financing a nuclear power station. In terms of investment in north Wales separate from that, we are committed to do that, not least through the north Wales growth deal and the other energy investments, particularly in renewables that are there, as well as the nuclear sector deal, in which north Wales—

Q378 **Albert Owen:** So, special attention will be given to north Wales and the Moorside area of Cumbria, to plug the gap that has happened.

Greg Clark: You mention two areas that are of particular prominence in the nuclear industry, and they will be recognised.

Q379 **Albert Owen:** My final question is a follow on from Mr Chisholm's response to Mr Kerr, about hundreds of people being moved within the Department to concentrate on Brexit. Were any moved from the nuclear energy sector because of Brexit? Can I pose the question that the eye was taken off the ball on this? Two big projects were suspended or stopped.

Alex Chisholm: In fact, rather the opposite. We had to create a very substantial new nuclear team to work on safeguards work, which was an expansion area, both to put in place bilateral co-operation agreements with the US, Australia and Canada, and to renew the one with Japan. That was a big new team for negotiations. Also, a substantial new team is working on this Wylfa work, to try and make it a reality. I want to add that in all our talks with Hitachi they have been very clear that they remain interested in building a new nuclear plant, and that they—

Albert Owen: I look forward to ongoing work with the Secretary of State.

Q380 **Stephen Kerr:** Secretary of State, you and Albert Owen have just exchanged on the RAB models. When it comes to talking about the sums of money that will be required for investment purposes in this infrastructure, which is much needed for our country's future, what discussions have you had with the Chancellor about the need for a proper national investment bank, or a national infrastructure bank? Clearly, that should be part of this set-up, and we just don't have one.

Greg Clark: We have the British Business Bank, which is supported by the Chancellor. We also have the national productivity investment fund, which is making a substantial contribution to infrastructure investments across the country. I have many conversations, as you might imagine, Mr Kerr, with the Chancellor. What we are doing in the industrial strategy—whether it is the work we talked about earlier with sectors such as the aerospace and automotive sectors, or investment in skills development and scientific research and development—requires the co-operation and, indeed, the commitment of the Chancellor. We have that.

Q381 **Stephen Kerr:** As you know, I am a big fan of the British Business Bank and what it is doing, but it has a very limited scope, in terms of the capital that is available to it, which is primarily public money, allied with the work it does to build coalitions with private investors. A national investment bank is something far more than what the British Business Bank does. A national investment bank for infrastructure is much more than the National Productivity Investment Fund, which you mentioned, isn't it? In your own assessment, surely we need to be tapping into investment funds and capital that is available to us beyond the current set-ups that we have.

Greg Clark: I am always keen to get investment in innovation and infrastructure. We have made a huge amount of progress to that through the British Business Bank, the industrial strategy, UKRI and, in particular, Innovate UK. I am always looking for opportunities to get more into that. I am very happy to engage with you and the Committee generally on any particular models that you think would command attention and should be attractive to us.

Chair: Thank you very much, Secretary of State.

Q382 **Mr Liddell-Grainger:** Can I ask about CGN—something that we both know very well because it has about 30% at Hinkley and, I believe, 20% at Sizewell? Albert has just posed a question, but let me pose another. Would you be happy for CGN to be looking, if the conditions were right, to build the AP1000 at Wylfa, supporting them and supporting us?

Greg Clark: In these matters, it is important to observe the proper, rigorous process that the Permanent Secretary referred to. There is a GDA process and scrutiny of all investment partners. I don't think it would be right to speculate in this Committee or elsewhere, outside that formal process of consideration and review.

Alex Chisholm: It is Hitachi that owns the site at Wylfa.

Q383 **Mr Liddell-Grainger:** That is why I said in the future. Obviously, it does. Can I invite you to say whether or not CGN should be building its reactors in the United Kingdom, providing everything is achieved, even at Wylfa, Bradwell or wherever else?

Greg Clark: We have a long-standing policy that is known as progressive entry. CGN has plans that are going through the assessment process for further nuclear reactors. That is being done in full co-operation with the regulators.

Q384 **Mr Liddell-Grainger:** Would CGN be a welcome partner in the National

College for Nuclear? We have got one and we are going to have another one. Would you see that being part of the CGN mix of helping to train, understand and develop in this country?

Greg Clark: The colleges and training establishments are independent. They have a broad range of contributors to their capital, and people send their employees to them. That is a matter for the colleges.

Alex Chisholm: Just to add to that, I think they are committed, within Hinkley, to take on about 1,000 more apprenticeships, and obviously a third of that is being funded by CGN as part of the overall project.

Q385 **Mr Liddell-Grainger:** Can I ask one last question? The obvious site for CGN would be Moorside. It is a site that is sitting there, and Trudy Harrison, our colleague, is banging the drum for it. There are certain organisations in the country that have made it clear that they would rather it wasn't there because of the proximity of other fairly sensitive things. Would you subscribe to that? If we can't get the situation in Wylfa resolved—I feel sorry for Albert Owen—would Moorside not be another alternative?

Greg Clark: For any proposed nuclear developer and any site, there has to be proper consideration, wherever the developer comes from, of their role and their prospects there. Especially in an area like nuclear, procedural rigour is important.

Q386 **Albert Owen:** To follow up on that, for clarity, in the sites that have been suspended or abandoned, there is no objection to a consortium, as you have in Hinkley, Sizewell or Bradwell, of CGN and another company such as EDF looking at Moorside, Wylfa and other sites, if they have the finance to be the developer. There is no principled objection from your Department.

Greg Clark: Consortia form and then, together, they put themselves forward for approval.

Q387 **Albert Owen:** So there is no objection to those partners.

Greg Clark: I do not think there is any restriction on that.

Q388 **Albert Owen:** My final question is on the RAB thing. Can I appeal to you to accelerate and bring forward your White Paper? Events have happened and lots of projects have been suspended, not just in nuclear but in other first-of-a-kind technologies such as marine. That would be an opportunity to get a model that is fit for purpose for more than just nuclear, so we can really kick-start low-carbon energy.

Greg Clark: I agree with that, and that is why we have accelerated it. We will complete the study, or at least publish our initial conclusions, by the summer so it can inform those discussions.

Albert Owen: With tongue in cheek, can I ask for 700 people to be deployed on that important issue?

Chair: Working in Anglesey.

Albert Owen: Outside London, for sure.

Q389 **Sir Patrick McLoughlin:** Wylfa, Moorside and Oldbury—when did you know they were in trouble?

Greg Clark: Well, it is not so much that we knew they were in trouble. In the case of Wylfa, since I made a statement to the House, which I think was last summer, there has been an intensive period of negotiations. It has always been known that financing major projects of that scale, especially in nuclear, has been difficult for the financial markets. The point of my statement was to flag that it did not seem that the conventional means of financing were going to be fruitful, so I wanted to alert the House to the fact that we were going to try a different sort of negotiation.

Ultimately, that did not result in successful financing. Throughout that time, we knew that the conventional models were not available and both sides tried their best to see whether something was possible. I am pleased that we did that, because I would not have wanted the project to have been suspended in the way it has and not to have felt that we did not leave any stone unturned in terms of whether a different model might have worked. That is another reason why we are pursuing the RAB.

Q390 **Sir Patrick McLoughlin:** So you knew they were in trouble for a little while, which is, in a way, partly reassuring. I was worried by the answer you gave me earlier about the notification you had from Nissan only 24 hours before it became public as to the early warning systems in your Department. Those three plants were going to provide an estimated—

Greg Clark: Can I comment on that? That might imply that there was some discourtesy on the part of the company. As I understand it, there was a leak in Japan of some of the discussions that had taken place about their capital investment plans across Europe and around the world. My understanding is that in fairness to the workforce, who might be reading the leaked reports, they brought forward their announcement. That is why the notice was rather short. It was not an intended discourtesy—quite the reverse. It was with the workforce in mind that they accelerated it.

Q391 **Sir Patrick McLoughlin:** Thank you for that clarification. Those three plants were estimated to be in operation by 2030 and would have provided 20% of our energy requirement in this country. How are you going to fill the gap? What is plan B?

Greg Clark: As you say, this was about power in the 2030s. The truth is that one of the reasons that they proved difficult to finance was because there is an abundance of alternatives that are cheaper. Nuclear has a much longer lead time than any other of the alternatives, so there is no shortage of the ability to replace that power. It is important to say, however, that all of the plants that you mentioned, with the exception of Moorside—with Wylfa, it is still possible to deploy it in the 2030s, if a financing model can be agreed.

Q392 **Sir Patrick McLoughlin:** Is it still the Government’s intention to cease and close all coal-powered plants by 2025?

Greg Clark: Yes.

Sir Patrick McLoughlin: And that is not going to change?

Greg Clark: No.

Q393 **Sir Patrick McLoughlin:** Initially, you said that your energy White Paper was going to be ready a bit sooner than you are now proposing. Is that because your plans have been thrown into chaos by what has happened in nuclear?

Greg Clark: No, but I made a speech—

Sir Patrick McLoughlin: Perhaps chaos was not the word you would—

Greg Clark: I set out in a lecture that I gave just before Christmas the elements of the approach that we would flesh out in a White Paper. It was a response to the Dieter Helm review, which is a very significant and wise contribution to the debate. I responded to it in the lecture and set out the broad directions that we will take. We said that we will publish the White Paper by the summer. We are working hard on it, notwithstanding other aspects of work that we concentrate on as well. It is going well.

Q394 **Sir Patrick McLoughlin:** But what other messages are you going to send to the energy market, then? Presumably the Government's position on climate change and decarbonising will stay the same and will not change. How is the rest of the renewables industry going to get to know about changes in policy that would be very useful to know about as far as they are concerned, if they have to wait for another six to eight months?

Greg Clark: The industry, if not the rest of the country, read very closely the speech that I gave on this, and one of the reflections that I made was that we are entering an era for renewable power that was previously unthought of. It was always assumed, even eight years ago, that clean power was something that you had to pay a premium for. We are now about to enter a world where green power is likely to be the cheapest source of energy. It should be subsidy-free. That is what I set out, and it is important that the industry understands that. I think they know, because they can see what is happening to costs, which is a result of the strategy that we have pursued to bring costs down and the innovation we have set out. We are now entering a world where green power need not be a subsidised source of power.

Q395 **Sir Patrick McLoughlin:** Do you foresee any change in onshore wind power?

Greg Clark: No, I think we have a settled position on onshore wind. It was set out in the manifesto that we both stood on. We made a strategic decision to concentrate the contracts for difference auctions on offshore wind. One reason for that was industrial strategy. We had the opportunity to build a supply chain and capability in the manufacture of those turbines. That has been a huge success right around the country. We now have manufacturing facilities, many of them exporting to other countries in the world, because of that. We should stick with that approach.

Q396 **Sir Patrick McLoughlin:** So you think you will stick with that, in spite of the very significant falls in the cost of production of that energy.

Greg Clark: Yes. Representations are made on this issue, and we obviously respond to them, but my view is that the judgment we have made, which is reflected in the manifesto, is one that should prevail.

Q397 **Mark Pawsey:** Very quickly, Secretary of State, are you concerned that the cost of energy, particularly electricity, to manufacturing industry is significantly higher in the UK, which has implications for competitiveness for steel and cement manufacture, for example?

Greg Clark: Yes, and this was one of the reasons why we commissioned Dieter Helm to write his review on the cost of energy. What it reveals is that most other countries—certainly other European countries—essentially make a different choice. They cross-subsidise from households to industry.

Q398 **Mark Pawsey:** Sure, but that doesn't help our manufacturers in world markets.

Greg Clark: It doesn't help our manufacturing, but the judgment that is made in Germany, for example, is to put a lot more on household bills to reduce industrial bills. We have a substantial programme of support for the energy-intensive industries. In the industrial strategy, we have a programme to improve innovation to improve the energy efficiency of large industrial users. That is very important to bring it down, but I think the choice that successive Governments and Parliaments have made not to have a huge transfer from consumers to industry—we basically charge the price that is the market price—is something that would be difficult to depart from.

Q399 **Chair:** Thank you very much. You spoke in the strategy about support for energy-intensive industries, which is another reason why unilaterally getting rid of import tariffs—it would so decimate the energy-intensive industries such as ceramics and steels—would be such a bad idea in my view. I wanted to ask you, Secretary of State, about carbon capture and storage very briefly. We went recently to Teesside, and as you know we are just concluding our inquiry into carbon capture, use and storage, but one of the things that came up both in the evidence sessions here and in Teesside is that the quicker you do it, the cheaper it will be, partly because of the depleted oilfields. Would you consider speeding up the process to enable the first facility to start early in the 2020s, if that is a cheaper option?

Greg Clark: Yes.

Q400 **Chair:** Excellent. If only all questions went like that. Another issue that was raised was about the choice between competition between the different clusters and a more collaborative approach. I am not sure whether the competition between the clusters was consulted on before it was introduced. Are you still certain that that is the right way to proceed—a competition between the clusters, rather than working together on a solution?

Greg Clark: I am happy to reflect on it, but as my one-word answer to your previous question indicated, I am keen to get on with it. As we have talked about in answer to other things, it is important that there should be a process when public money is being invested. It should be scrutinised. As I said earlier, I do not have a cheque book and I cannot just write a cheque for a project that I am in favour of. It has to go through a process, as all these things do. Whether that is through a competition or an assessment that can look at a joint approach, I am happy to take that away and look at it.

Q401 **Chair:** Great. The Committee on Climate Change has said that CCUS is essential to meeting our carbon reduction targets. Would you agree with that?

Greg Clark: Yes.

Q402 **Chair:** On the issue of good work, you know that one of the first things this Committee did under my chairmanship was to look at the Taylor review and make some recommendations. We were very pleased that you accepted many of those. Do you welcome the recognition deal between GMB and Hermes this week, which would give rights to workers at Hermes that they did not enjoy previously?

Greg Clark: I confess, Chair, that I have not looked at the agreement in detail. From the reports that I heard on the news, the idea that the workforce and the company would agree to improve their rights and protections seems to me to be an encouraging step.

Q403 **Chair:** I think it is worth looking at for what it could mean for business models in other parts of the sector and for the crucial role of the Department of legislating and talking to businesses about the issues. When are you planning to bring forward the legislation that you confirmed in December to improve clarity on employment status in light of the Taylor review?

Greg Clark: When we responded to Taylor, as you say, we said we would bring that forward as soon as possible. As Matthew Taylor said in his report, this is quite technical. It involves tax legislation and employment legislation to make sure that they can be reconciled.

Q404 **Chair:** Do you have a date in mind?

Greg Clark: I do not have a date in mind but the work, again, is being done. We have an excellent team, who work very closely with me on this. We want to do it as soon as possible, as is evident, but it is such a technical area that it does need to be right; but I will write to the Committee and perhaps give an indication of when we will be—

Q405 **Chair:** Will the Committee have a chance to report on its draft, perhaps as we did with the energy price cap Bill?

Greg Clark: I do not think the Committee needs my permission to report and investigate.

Q406 **Chair:** No, but we did pre-legislative scrutiny of the energy price cap Bill.

Greg Clark: I am very much in favour of pre-legislative scrutiny and I was grateful to the Committee for the quality and speediness of its work on that, so if we can do that in other areas then I would certainly want to.

Chair: Perhaps we could look at doing it in this area, because it is an area that the Committee has a great deal of interest in.

Q407 **Sir Patrick McLoughlin:** Secretary of State, we seem to be in a bit of a stand-off with the Department about public scrutiny of appointments and having a difference of opinion as to which we should be allowed to scrutinise before the appointments are made. Why is that?

Greg Clark: I think there was a cross-Government and Parliament approach to keep under review the statutory appointments that come before Select Committees, because sometimes new bodies are added and existing bodies are merged together; so it is right to keep it under review. Certainly I am very happy for the Committee to advise me and my Ministers on appointments that are put forward. It is always open to the Committee to invite people, whether there is a statutory requirement or not. I have committed to respond to the letter from the Chair to see whether the particular ones are right. An example of this, I think, was the chairs of the research councils were—

Q408 **Sir Patrick McLoughlin:** That was some of the previous ones.

Greg Clark: There is a body above that now.

Q409 **Sir Patrick McLoughlin:** There was the Pubs Code Adjudicator, which we weren't allowed to do—it was before your time, but there has not been a reappointment—the Small Business Commissioner, the chair of the Low Pay Commission, the Director of Labour Market Enforcement. There just seems to be a reluctance coming from you about us doing this.

Greg Clark: No, I think it is a more high-minded approach across Government and I think across Select Committees.

Q410 **Sir Patrick McLoughlin:** Sorry, can you explain what you mean by high-minded?

Greg Clark: Yes. Far from its being a reluctance to put people before the Committees, I think there is an agreement that there should be a reasonable, manageable list of public appointments that come before Committees. I do not think there is any intention to deprive Committees of the opportunity to scrutinise people. I think it is an amicable conversation as to which are the right appointments, and how many, but I have no difficulty in any of the areas in which the Committee has an interest about representing those views. I have no personal objection to it, but I think there is a cross-Government and cross-House of Commons approach.

Q411 **Sir Patrick McLoughlin:** So we can carry on with the correspondence and you will carry on rejecting us.

Greg Clark: Well, let us try and conclude the correspondence satisfactorily.

Q412 **Chair:** Who does make the decision, then, Secretary of State?

Greg Clark: It is a whole Government thing, so it is co-ordinated through the Cabinet Office as to what the arrangements are.

Q413 **Chair:** Okay, so if you are happy for us to do pre-appointment hearings for the Director of Labour Market Enforcement, Pubs Code Adjudicator, Small Business Commissioner and chair of the Low Pay Commission, could you write to the Cabinet Office and say that you are happy for that to happen?

Greg Clark: Since I have said in public that I am happy about it, I am sure that this will have been noted.

Q414 **Chair:** Will you just write a letter and say that you are happy? That will just resolve this issue.

Greg Clark: Of course, but to be fair to our colleagues it is reasonable, you would understand, for Committees to have a similar approach to the types of hearings that they have.

Q415 **Sir Patrick McLoughlin:** Well, Departments don't have a similar approach to employment across the field, so they are individual. You are individual where you want to be and collective where you don't want to be.

Chair: You will write, and we will write as well, and hopefully this will be resolved.

We really appreciate both of you coming to give evidence today. I think this point about next Friday being a crucial date, particularly for our exporters, in terms of getting certainty on the deal, and also clarity that we won't crash out without a deal, is really important, and it has been good discussing some of those issues with you today, so thank you very much for coming to give evidence, Secretary of State and Alex Chisholm, and we look forward to your doing so in future.

Greg Clark: Thank you Chair, and thank you colleagues.